

Message Text

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70

ACTION EA-14

INFO OCT-01 ADP-00 EB-11 L-03 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 H-02 SEC-03 DODE-00 PA-03 USIA-12 PRS-01 RSR-01

/148 W

----- 085293

R 160905 Z MAY 73

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 8801

INFO AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

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E. O. 11652: N/ A

TAGS: EFIN SN

SUBJECT: SINGAPORE STOCK MARKET

REF: A) SINGAPORE 1959; B) KUALA LUMPUR 2020

1. SINGAPORE STOCK MARKET RESPONDED WITHOUT PANIC TO NEWS OF SCRAPPED CURRENCY TIE BETWEEN SINGAPORE AND MALAYSIA WITH ITS IMPLICATIONS OF SEPARATE STOCK EXCHANGES. REACTION HAS BEEN WAIT AND SEE. VOLUME OF TRADING HAS BEEN LIGHT AND PRICES ONLY SLIGHTLY DEPRESSED. MALAYSIAN STOCKS DIPPED YESTERDAY WHEN STRAITS TIMES HEADLINED MISINTERPRETATION OF BANK NEGARA DEPUTY GOVERNOR'S STATEMENT THAT SINGAPORE INVESTORS HAS TO REGISTER SHARES OF MALAYSIAN COMPANIES THROUGH MALAYSIAN BROKERS AND BANKS. THIS REGULATION WOULD HAVE MADE TRADING IN MALAYSIAN SHARES VERY CUMBERSOME. THIS STORY HEADLINED " KUALA LUMPUR' S NEW SHOCK MOVE" WAS RETRACTED TODAY SAYING THAT DEPUTY GOVERNOR ASSURED THAT SINGAPORE STOCKS

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WOULD BE AUTOMATICALLY LISTED IN SINGAPORE.

2. THERE ARE GREAT MANY PROBLEMS TO BE IRONED OUT WITH SEPARATION OF STOCK EXCHANGES, BUT SEPARATE, THEY MUST INEVITABLY BE NOW THAT CURRENCIES ARE NO LONGER EXCHANGEABLE AT PAR. MANY OF 71 SINGAPORE COMPANIES LISTED AND 151 MALAYSIAN COMPANIES LISTED HAVE SIGNIFICANT FINANCIAL INTERESTS IN BOTH COUNTRIES. EXCHANGES WILL BE SEPARATE AND CROSS LISTING WILL BE DONE IN CURRENCY OF COMPANIES' NATIONALITY. APPLICATIONS OF FOREIGN EXCHANGE CONTROLS THEREFORE WOULD DETERMINE WHETHER MUCH CROSS TRADING OCCURS. WITH ONLY 71 COMPANIES LISTED, SINGAPORE CAN BE EXPECTED TO TRY TO ENCOURAGE FURTHER PUBLIC LISTING OF EXISTING COMPANIES AND MAY CONSIDER FURTHER LIBERALIZATION OF FOREIGN EXCHANGE CONTROLS. LATTER COULD LEAD TO "BIG BOARD" ON WHICH THIRD COUNTRY SHARES ARE QUOTED. BOTH MOVES WOULD HELP GIVE SINGAPORE MARKET DEPTH IT HAS LOST IN RECENT SPLIT. "BIG BOARD", ADVOCATED BY SEVERAL INFLUENTIAL BANKERS IN SINGAPORE FOR SOME TIME, WOULD PROVIDE FOR MORE ORDERLY DEVELOPMENT OF SINGAPORE STOCK MARKET AND WOULD BE CONSISTENT WITH THEIR POLICY TO MAKE SINGAPORE FINANCIAL CENTER.

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 16 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973SINGAP02021
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: SINGAPORE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730547/aaaajjyo.tel
Line Count: 87
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 SINGAPORE 1959, 73 KUALA LUMPUR 2020
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 21 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21-Nov-2001 by martinml>; APPROVED <21-Dec-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 980219
Subject: SINGAPORE STOCK MARKET
TAGS: EFIN, SN
To: EA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005